



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE SERVICES
DEPARTMENT OF LABOR & ECONOMIC GROWTH
DAVID C. HOLLISTER, DIRECTOR

LINDA A. WATTERS
COMMISSIONER

February 19, 2004

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Dear XXXXXXXX:

By her letter of January 15, 2004, Commissioner Watters sent to your company inquiries respecting home insurance rate information. As the Commissioner explained, this information will be used to determine whether home insurance rates in Michigan are "excessive" as defined by the rating laws. This determination is vital to the interests of millions of Michigan residents.

I have enclosed a copy of the letter and inquiries for your reference. As you will see, the Commissioner required that your company answer the inquiries no later than February 17, 2004. A review of our records on February 18 indicates that your company has not submitted the data.

The Commissioner addressed the inquiries to your company pursuant to MCL 500.438(3). Monetary penalties for failure to answer the inquiries are specified in section 438(5):

Each authorized insurer that... fails to reply within 30 days to an inquiry of the commissioner, is subject to a civil penalty of not less than \$1,000.00 or more than \$5,000.00, and an additional \$50.00 for every day that the insurer fails to...reply to the inquiry. In addition, each insurer that... fails to make a satisfactory reply to an inquiry of the commissioner, concerning the insurer's affairs shall be subject to proceedings under section 436.

Licensure sanctions are contained in section 436, which provides:

The commissioner may suspend, revoke, or limit the certificate of authority of an insurer if he or she determines that any of the following conditions exist:

(e) The insurer fails to promptly comply with sections 222 or 438.

The Commissioner has determined that securing the data is essential to the implementation of the rating laws. In light of this importance, where a violation of section 438(3) is established, the Staff will seek maximum monetary penalties.

The Staff will also seek a restriction on your company's solicitation of new business within Michigan for a specified number of days. That number will be determined by counting the number of days beginning February 26, 2004, until the date the data is received by the Commissioner.

Procedurally, your company will first be given an opportunity to show compliance with section 438(3). If it fails to do so, the company will be given an opportunity for a contested case hearing.

You may expect the Staff to take actions as follows:

February 26--determine if data has been received

February 27--mail notice of opportunity to show compliance if data was not received

March 10--conduct show compliance meeting

March 16—if compliance was not shown, initiate a formal contested case hearing

Please direct any technical questions on submitting the data to Mr. Randy Parlor of the Product Review Unit at (517) 335-1712 or rparlo@michigan.gov.

Sincerely,

Joyce A. Karr
Deputy Commissioner

Enclosures